

House Engrossed

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**KEN BENNETT
SECRETARY OF STATE**

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2010

CHAPTER 69

HOUSE BILL 2335

AN ACT

AMENDING SECTION 41-1279.07, ARIZONA REVISED STATUTES; RELATING TO
EXPENDITURE LIMITATIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 41-1279.07, Arizona Revised Statutes, is amended to
3 read:

4 41-1279.07. Uniform expenditure reporting system; reports by
5 counties, community college districts, cities and
6 towns; certification and attestation; assistance
7 by auditor general; violation; classification

8 A. The auditor general shall prescribe a uniform expenditure reporting
9 system for all political subdivisions subject to the constitutional
10 expenditure limitations prescribed by article IX, sections 20 and 21,
11 Constitution of Arizona. The system shall include:

12 1. For counties:

13 (a) An annual expenditure limitation report that includes at least the
14 following information:

15 (i) The expenditure limitation established for the reporting fiscal
16 year by the economic estimates commission.

17 (ii) Total expenditures, by fund, for the reporting fiscal year.

18 (iii) Total exclusions from local revenues, as defined by article IX,
19 section 20, Constitution of Arizona, by fund, for the reporting fiscal year.

20 (iv) Total amounts, by fund, of expenditures subject to the
21 expenditure limitation for the reporting fiscal year.

22 (b) Annual financial statements prepared in accordance with generally
23 accepted accounting principles.

24 (c) A reconciliation of the total expenditures reported within the
25 financial statements to the total expenditures stated within the expenditure
26 limitation report.

27 2. For community college districts:

28 (a) An annual budgeted expenditure limitation report that includes at
29 least the following information:

30 (i) The expenditure limitation established for the reporting fiscal
31 year by the economic estimates commission.

32 (ii) Total budgeted expenditures, by fund, for the reporting fiscal
33 year.

34 (iii) Total exclusions from local revenues, as defined by article IX,
35 section 21, Constitution of Arizona, by fund, for the reporting fiscal year.

36 (iv) Total amounts, by fund, of budgeted expenditures subject to the
37 expenditure limitation for the reporting fiscal year.

38 (b) Annual financial statements prepared in accordance with generally
39 accepted accounting principles.

40 (c) A reconciliation of the total expenditures reported within the
41 financial statements to the total expenditures reported within the
42 expenditure limitation report.

43 3. For cities and towns:

44 (a) An annual expenditure limitation report that includes at least the
45 following information:

1 (i) The expenditure limitation established for the reporting fiscal
2 year by the economic estimates commission and, if applicable, the voter
3 approved alternative expenditure limitation.

4 (ii) Total expenditures, by fund, for the reporting fiscal year.

5 (iii) Total exclusions from local revenues, as defined by article IX,
6 section 20, Constitution of Arizona, by fund, for the reporting fiscal year
7 or, if applicable, the total exclusions from the voter approved alternative
8 expenditure limitation.

9 (iv) Total amounts, by fund, of expenditures subject to the
10 expenditure limitation for the reporting fiscal year.

11 (b) Financial statements prepared in accordance with generally
12 accepted accounting principles.

13 (c) A reconciliation of the total expenditures reported within the
14 financial statements to the total expenditures reported within the
15 expenditure limitation report.

16 B. The auditor general shall provide detailed instructions for
17 completion and submission of the reports described in subsection A of this
18 section. The auditor general shall prescribe definitions for terms utilized
19 in and the form of the reports described in subsection A of this section. The
20 reports described in subsection A of this section are required of counties
21 and community college districts beginning with fiscal year 1981-1982. The
22 reports described in subsection A of this section are required of cities and
23 towns beginning with the fiscal year the political subdivision is subject to
24 the expenditure limitation. The annual reporting requirements also apply to
25 political subdivisions subject to an alternative expenditure limitation
26 enacted pursuant to article IX, section 20, subsection (9), Constitution of
27 Arizona.

28 C. The reports described in subsection A of this section must be filed
29 with the auditor general within four months after the close of each fiscal
30 year. Upon written request, the auditor general may grant up to a one
31 hundred twenty day extension, if extenuating circumstances exist that prevent
32 submission of the reports within the required four month period.

33 D. The auditor general or a certified public accountant or public
34 accountant performing the annual audit required pursuant to sections
35 41-1279.21 and 9-481 shall attest to the expenditure limitation reports and
36 financial statements for counties, community college districts and cities.
37 The certified public accountant or public accountant performing the annual or
38 biennial audit required pursuant to section 9-481 shall attest to the
39 expenditure limitation reports and financial statements for towns.

40 E. Each political subdivision shall provide to the auditor general by
41 July 31 each year the name of the chief fiscal officer designated by the
42 governing board of the political subdivision to submit the current fiscal
43 year's expenditure limitation report. The political subdivision shall notify
44 the auditor general of any changes of individuals designated to file the

1 required reports. The designated chief fiscal officer shall certify to the
2 accuracy of the annual expenditure limitation report.

3 F. The auditor general shall prescribe forms for the uniform reporting
4 system and may provide assistance to individuals, certified public
5 accountants or public accountants responsible for attesting to the
6 expenditure limitation reports and financial statements.

7 G. A chief fiscal officer, designated pursuant to subsection E of this
8 section, who subsequent to July 1, 1983 refuses to file the reports required
9 by this section within the prescribed time periods or who intentionally files
10 erroneous reports is guilty of a class 1 misdemeanor. A city or town
11 exceeding the expenditure limitation prescribed or authorized pursuant to
12 article IX, section 20, Constitution of Arizona, for any fiscal year, without
13 authorization pursuant to such section, shall have the amount specified in
14 subsection H of this section of its allocations of the state income tax,
15 distributed pursuant to section 43-206, withheld and redistributed to other
16 cities and towns in the same manner as determined pursuant to that section,
17 except that the population of the city or town exceeding the expenditure
18 limitation shall not be included in the computation, and the city or town
19 exceeding the expenditure limitation shall not be entitled to share in the
20 redistribution. A community college district exceeding the expenditure
21 limitation prescribed pursuant to article IX, section 21, Constitution of
22 Arizona, for any fiscal year, without authorization pursuant to such section
23 or section 15-1471, shall have the amount specified in subsection H of this
24 section of its allocations of state aid, distributed pursuant to section
25 15-1466, withheld.

26 H. The auditor general shall hold a hearing to determine if any
27 political subdivision has exceeded the expenditure limitations prescribed
28 pursuant to article IX, sections 20 and 21, Constitution of Arizona. If a
29 county has exceeded the expenditure limitations prescribed pursuant to
30 article IX, section 20, Constitution of Arizona, without authorization
31 pursuant to that section, the auditor general shall notify the board of
32 supervisors of the county to reduce the allowable levy of primary property
33 taxes of the county pursuant to section 42-17051, subsection C. If any
34 political subdivision other than a county has exceeded the expenditure
35 limitations prescribed pursuant to article IX, sections 20 and 21,
36 Constitution of Arizona, without authorization, the auditor general shall
37 notify the state treasurer to withhold a portion of the political
38 subdivision's allocations of the revenues described in subsection G of this
39 section for the fiscal year subsequent to the auditor general's hearing as
40 follows:

41 1. If the excess expenditures are less than five per cent of the
42 limitation, an amount equal to the excess expenditures.

43 2. If the excess expenditures are equal to or greater than five per
44 cent but less than ten per cent of the limitation, or are less than five per

1 cent of the limitation but it is at least the second consecutive instance of
2 excess expenditures, an amount equal to triple the excess expenditures.

3 3. If the excess expenditures are equal to or greater than ten per
4 cent of the limitation, an amount equal to five times the excess expenditures
5 or one-third of the allocation of the revenues described in subsection G of
6 this section, whichever is less.

7 I. A COUNTY, CITY OR TOWN IS NOT DEEMED TO HAVE EXCEEDED THE
8 EXPENDITURE LIMITATION IF THE COUNTY, CITY OR TOWN MAKES EXPENDITURES FOR
9 CAPITAL IMPROVEMENTS FROM UTILITY REVENUES PURSUANT TO TITLE 9, CHAPTER 5,
10 ARTICLE 3 OR FROM EXCISE TAXES LEVIED BY THE COUNTY, CITY OR TOWN FOR A
11 SPECIFIC PURPOSE AND THE COUNTY, CITY OR TOWN REPAYS THE EXPENDITURE FROM THE
12 PROCEEDS OF BONDS OR OTHER LAWFUL LONG-TERM OBLIGATIONS BEFORE THE HEARING
13 REQUIRED BY SUBSECTION H OF THIS SECTION.

APPROVED BY THE GOVERNOR APRIL 16, 2010.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 19, 2010.